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C O N F I D E N T I A L SECTION 01 OF 02 TAIPEI 000190

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SUBJECT: PRESIDENT CHEN NAMES SU TSENG-CHANG AS NEW PREMIER

REF: TAIPEI 159

Classified By: AIT Director Douglas Paal, Reasons: 1.4 (B/D)

¶1. (C) Summary: President Chen named Su Tseng-chang, former chairman of the Democratic Progressive Party (DPP) as the new premier on January 19 to replace Frank Hsieh, who resigned two days earlier. AIT's contacts predict a large-scale cabinet reshuffle over the next week. Su, the most popular DPP leader and the front-runner to become the party's presidential candidate in 2008, will face a challenging task in working with the opposition-controlled legislature and with a president who has shown little willingness to support previous DPP premiers and is pursuing policies that provoke the opposition but appeal to his political base. End Summary.

¶2. (C) President Chen Shui-bian held a press conference on January 19 to announce his appointment of former DPP Chairman Su Tseng-chang as the new premier, replacing Frank Hsieh (Chang-ting), who announced his resignation on January 17 (reftel) after less than one year in office. Hsieh and the entire cabinet will formally resign on January 23 and the transfer of power to the new cabinet will take place on January 25. Su will be Chen's fifth premier since his election as president in 2000. Like all of Chen's previous premiers, Su will face a difficult to impossible task in trying to push DPP policies through the Legislative Yuan (LY), where the pan-Blue opposition parties hold a narrow but highly disciplined majority.

¶3. (C) In a thirty-minute speech, President Chen expressed appreciation for Hsieh's service, stressed that he expects the new cabinet to fight for the goals laid out in his confrontational New Year address, and emphasized that all members of the new cabinet must put their property in trust to demonstrate the highest ethical standards. Chen also said that the Presidential Office, Executive Yuan, party, and DPP LY caucus will work together as a team, and he called for an internal debate on the DPP's policy goals and policy line. Su, in a few words, thanked the president for giving him the opportunity to serve and pledged not to let the president or the people down.

¶4. (U) Su Tseng-chang, 58, was born in Pingtung County in southern Taiwan and is a graduate of the National Taiwan University Law School. Like a number of other prominent DPP

politicians, including President Chen and Hsieh Chang-ting, Su Tseng-chang began his political career as one of the lawyers defending pro-democracy protesters who demonstrated against the then-authoritarian KMT government in the 1979 Kaohsiung Incident. Following service in southern Taiwan, Su's career took off in 1997 and 2001 when he won election and reelection as magistrate of the Blue-majority Taipei County. Su left Taipei County in 2004 to become Secretary General of the Presidential Office and then chairman of the DPP. In early December he resigned as party chairman to take responsibility for the party's losses in local elections.

15. (C) Su is considered hard working, demanding on his staff, and a forceful, emotional, and very effective political campaigner. He is a proverbial man of the people, congenial, and has a strong sense of personal integrity and responsibility. According to Su's political biography, he enjoyed good relations with the opposition-controlled county council when he was magistrate of Taipei County. Pan-Blue contacts have told AIT the same. While Su has administrative experience, he does not have significant experience on cross-Strait or international issues. When Su migrated from Taipei magistrate, where he was very self-confident and at ease, to become presidential secretary general, he became far more tightly disciplined and cautious.

16. (C) DPP Legislator Lin Cho-shui predicted to AIT that Su will face a difficult task as premier in working with the LY following the pan-Blue opposition's very negative reaction to President Chen's tough New Year address. Lin attributed the opposition's actions at the end of the fall LY session in cutting and freezing important parts of the government budget, including the budgets of the Presidential Office,

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National Security Council, and Mainland Affairs Council, to its strong displeasure with Chen's New Year speech.

The Cabinet  
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17. (C) Presidential Office Director General of Special Affairs Gary Tseng (Tien-tzu) told AIT that he expects about two-thirds of the current members of the cabinet to be changed. Press speculation has focused on the vice premier position, and a number of observers here are predicting that Tsai Ing-wen, legislator and former chair of the Mainland

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Affairs Council, will be named vice premier in order to strengthen the cabinet's capabilities on economic and cross-Strait issues. During a recent meeting with AIT, Tsai defended the cross-Strait policies laid out in President Chen's New Year address, an indication that she would be well suited to fill a senior position in the new cabinet.

Comment  
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18. (C) Chen's unexpectedly early announcement of Su's appointment may have been made to divert attention from Frank Hsieh, who was gaining sympathy over wide-spread perceptions that he was a victim of maneuvering by the president and Su over the premiership and the 2008 presidential nomination. Lin Cho-shui suggested to AIT that by getting rid of Hsieh, who was formerly mayor of Kaohsiung, Chen may be hoping to eliminate the shadow of the Kaohsiung Metro Project scandal, which has haunted Chen's administration for months and is blamed for the DPP's setback in the December local elections. Lin suggested that Hsieh probably still has a strong interest in running for the 2008 DPP presidential nomination.

19. (C) Su is taking a calculated risk in accepting the premiership. Su may believe he needs both a political platform and broader experience at top government levels to be competitive in 2008 against the presumed KMT candidate,

Taipei Mayor and KMT Chairman Ma Ying-jeou. Su may also believe he has to prove both his own and his party's capabilities in governance if the DPP is to remain the ruling party. However, Su will face serious and possibly insurmountable challenges from both President Chen and the pan-Blue opposition. There is no guarantee that Chen, focused on preserving his own power in the DPP, will give Su the space to effectively lead the government. He has criticized each of Su's predecessors. The pan-Blue opposition, bent on regaining power in the 2008 presidential election, will be more interested in undermining than helping a rival DPP presidential candidate. Therefore, the pan-Blue opposition in the LY is more likely to be obstructive than cooperative, except in those cases where it believes cooperation will help its own political interests.

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